

# THE SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines  
ISSUED BY STATE BOARD OF ACCOUNTS

Volume 181

March 2008

## ITEMS TO REMEMBER

### MARCH

- March 1: Prove the Fund Ledger and Ledger of Receipts for the month of February to the control of all funds and reconcile with the depository statements. Prove all receipt accounts for each fund to total receipts for that fund. Prove the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts within each program to the total disbursements of that program.
- March 20: Last day to report and make payment of state and county income tax withheld during February to the Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007 "The School Administrator and Uniform Compliance Guidelines".)
- March 21: Good Friday – Legal Holiday (IC 1-1-9-1)

### APRIL

- April 1: Prove all ledgers for the month ending March 31 as outlined for the month of February.
- April 15: Last day for the board of school trustees of the school corporation located wholly or partially within the county, which has the greatest taxable valuation of any school corporation in the county to appoint a member of the governing body to serve as a member of the county board of tax adjustment (IC 6-1.1-29-1). IC 6-1.1-29-9 provides that the county council may adopt an ordinance to abolish the county board of tax adjustment. The ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted.
- April 20: Last day to report and make payment of state and county income tax withheld during March to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2007, "The School Administrator and Uniform Compliance Guidelines.")
- April 30: Last day to file federal quarterly report, Form 941, to the Internal Revenue Service for federal and social security taxes for the first quarter.

### MAY

- May 1: Prove all ledgers for the month ending April 30 as outlined for the month of February.
- May 1: School corporations not wishing to renew teachers' contracts (non-permanent teachers) for the 2008-2009 school year on or before May 1, shall notify the teacher that the governing body will or consider nonrenewal of the contract for the next school term. The notification shall be: (A) written; and (B) delivered in person or mailed by registered or certified mail to the teacher at the teacher's last known address. IC 20-28-7-9 also provides possible additional procedures.
- May 6: Election Day – Legal Holiday (IC 1-1-9-1)

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**ITEMS TO REMEMBER**

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- May 20: Last day to report and make payment of state and county income tax withheld during April to Department of State Revenue, Indiana Government Center North, Indianapolis. (Please review Volume 180, December 2008, "The School Administrator and Uniform Compliance Guidelines Manual.")
- May 26: Memorial Day - Legal Holiday (IC 1-1-9-1)
- May 31: On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications) the school corporation shall certify to the county treasurer a list of the names and addresses of each person who has money due the person from the school corporation. (IC 6-1.1-22-14).

**OBSOLETE VOLUME**

All articles of Volume 141 of *The School Administrator* have now been updated and reprinted in later volumes of *The School Administrator and Uniform Compliance Guidelines*, or are no longer applicable; thus, Volume 141 which was distributed in March of 1998 may now be deleted from your files.

**SUBSTITUTE TEACHERS**

**Wages**

IC 20-28-9-6 states "The governing body shall fix wages for substitute teachers. A 'substitute teacher' may be engaged without a written contract."

**Licenses**

IC 20-28-9-7 "(a) An individual who: (1) holds: (A) a professional license; (B) a provisional license; (C) a limited license; or (D) an equivalent license issued by the department; and (2) serves as an occasional substitute teacher; shall be compensated on the pay schedule for substitutes of the school corporation the individual serves. (b) An individual who: (1) holds a: (A) professional license; or (B) provisional license; and (2) serves as a substitute teacher in the same teaching position for more than fifteen (15) consecutive school days; shall be compensated on the regular pay schedule for teachers of the school corporation the individual serves."

**SCHOOL CORPORATION – TAX ANTICIPATION WARRANTS**

IC 20-48-1-9 states "(a) If the governing body of a school corporation finds and declares that an emergency exists to borrow money with which to pay current expenses from a particular fund before the receipt of revenues from taxes levied or state tuition support distributions for the fund, the governing body may issue warrants in anticipation of the receipt of the revenues. (b) The principal of warrants issued under subsection (a) is payable solely from the fund for which the taxes are levied or from the school corporation's general fund in the case of anticipated state tuition support distributions. However, the interest on the warrants may be paid from the debt service fund, from the fund for which the taxes are levied, or the general fund in the case of anticipated state tuition support distributions. (c) The amount of principal of temporary loans maturing on or before June 30 for any fund may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received

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**SCHOOL CORPORATION – TAX ANTICIPATION WARRANTS**

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for and distributed to the fund at the June settlement. (d) The amount of principal of temporary loans maturing after June 30 and on or before December 31 may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement."

Prior to March 1988 the State Board of Accounts was of the audit position that tax anticipation warrants were to be issued in no more than six month maturities with the assumption that two separate sets of warrants would be issued. We modified our position to allow for a twelve month maturity equal to 80% of the December distribution for the tax warrant program offered by the Indiana Bond Bank.

The State Board of Accounts is of the audit position that school corporations may issue two sets of (up to) six month warrants maturing on June 30 and December 31, each equal to 80% of the respective settlement, or a school corporation may issue a single set of (up to) twelve month warrants maturing on December 31, equal to 80% of the December settlement and applicable distributions.

Whichever method is chosen, tax anticipation borrowing is to be based upon need. Requirements exist for the computation of a "cumulative cash flow deficit" in order to determine whether or in what amounts tax anticipation warrants may be issued. You should maintain a cumulative cash flow deficit worksheet at the school corporation.

We will not take audit exception to warrants issued under these guidelines unless there was no projected deficit, noncompliance with IC 20-48-1-9, or penalty or interest charges were paid by the school corporation. The ability to take advance draws could offset any cash flow deficit, eliminating the need for anticipation borrowing. Each review will be made on a case by case basis to determine if the computation was reasonable or the borrowing was necessary.

**INDEBTEDNESS**

The Constitution of the State of Indiana prohibits indebtedness of local units of government in any manner or for any purpose in an amount exceeding 2% on the value of the taxable property within such local unit of government.

Some confusion has existed concerning the Veterans Memorial School Construction Fund and the Common School Fund advancements. The question arises as to whether or not these advancements are considered a part of the indebtedness when applied against the limit of two percent valuation of the school corporation.

**Common School Fund**

IC 20-49-4-17 states in part "An advance is not an obligation of the school corporation within the meaning of the limitation on or prohibition against indebtedness under the Constitution of the State of Indiana. Nothing in this chapter relieves the governing body of a school corporation receiving an advance of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation shall continue to perform all acts necessary to obtain these funds."

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**INDEBTEDNESS**

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Veterans Memorial School Fund

IC 20-49-2-15 states in part (a) "An advancement under this chapter is not an obligation of the school corporation within the meaning of the limitation against indebtedness under the Constitution of the State of Indiana. This chapter does not relieve the governing body of a school corporation of any obligation under Indiana law to qualify the school corporation for state tuition support. The school corporation must perform all the acts necessary to obtain state tuition support payments."

(b) "A school corporation receiving an advancement under this chapter shall agree to have the total amount of the money advanced plus one percent (1%) of the outstanding balance deducted from the distribution of state tuition support: (1) for a period not to exceed twenty (20) years; or (2) until all the money advanced plus one percent (1%) has been deducted."

**NEW HIRES**

The Department of Workforce Development should be contacted for all questions concerning the requirements for when employees must file a "new hire report" for each "newly hired" employee. Please review the "Indiana New Hire Reporting Center" at (866) 879-0198 or [www.in-newhire.com](http://www.in-newhire.com).

**PURCHASE OF SCHOOL BUSES**

IC 20-27-4-1 states "A school corporation may purchase a school bus or special purpose bus to furnish transportation for students. The school corporation may purchase: (1) both the body and the chassis of a school bus; or (2) either the body or the chassis. A purchase may be made for cash or under the terms of a security agreement."

Security Agreements

IC 20-27-4-2 states "A security agreement under this chapter may not run for more than six (6) years. The agreement must be amortized in equal or approximately equal installments, payable on the first day of January and July each year. The first installment of principal and interest must be due and payable on the first day of July next following the collection of a tax that was levied after execution of the security agreement."

IC 20-27-4-3 states "Before a security agreement is executed, an appropriation for the amount of the purchase price must be made."

General Obligation Bonds

IC 20-27-4-4 states "If a school corporation requires funds to purchase a school bus for cash, the school corporation may borrow the necessary funds by issuing general obligation bonds. The bonds shall be issued in the same manner as other general obligation bonds. However, the bonds may not extend for more than six (6) years."

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**PURCHASE OF SCHOOL BUSES**

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Loans

IC 20-27-4-5 provides "If a school corporation requires funds to purchase a school bus for cash, the school corporation may, instead of issuing general obligation bonds, negotiate for and borrow funds or purchase the school bus on an installment conditional sales contract or a promissory note secured by the school bus. (b) To effect a loan, the school corporation shall execute a negotiable note or notes to the lender. The notes may not extend for more than six (6) years and are payable at the same times and in the same manner as provided for security agreements in section 2 of this chapter. (c) Before a note described in this section is executed, an appropriation for the amount of the purchase price of the school bus and any incidental expenses connected with the purchase or the loan, must be made in the same manner as other appropriations are made, except that the amount of the appropriation is not limited by the amount of funds available at the time of the loan or purchase or by the amount of funds to be raised by a tax levy effective at the time of the loan. (d) A petition to borrow, a notice to taxpayers, or other formality is not necessary to borrow funds under this section except as specifically provided in this chapter."

Manner of Purchase

IC 20-27-4-6 provides "(a) The purchase of a school bus shall be made in the same manner as provided by law for the purchase of school supplies by a school corporation. (b) If a school bus is purchased under a security agreement, the required notice to bidders or solicitation of bids must set: (1) the length of time the security agreement shall run; and (2) the terms of the security agreement, including the security agreement price and interest rate. (c) The low bid for a security agreement shall be determined by adding to each bidding price the net interest cost and then comparing the totals of the price and interest on each bid. Any difference between the cash and the security agreement prices may not be considered a charge under section 2 of this chapter. Instead, a separate statement of each price shall be made to enable the governing body to determine the advisability of purchasing a school bus under a security agreement."

**EDUCATIONAL LICENSE FEES**

We continue to receive inquiries concerning our article entitled "Educational License Fees", in "The School Administrator and Uniform Compliance Guidelines", Volume 178, June 2007.

Please note IC 9-18-31-7 states in part (a) ". . . A school corporation that receives benefit from an educational foundation that meets the requirements of this section shall: (1) obtain a certificate from the educational foundation that certifies to the school corporation and the county auditor that the educational foundation: (A) is exempt from federal income taxation under Internal Revenue Code Section 501(c)(3); (B) is established as an Indiana nonprofit corporation to provide benefit to the school corporation; and (2) provide a copy of the certificate described in subdivision (1) to the county auditor."

We suggest any school corporation which believes that it does not receive "benefit" from an educational foundation that would otherwise meet the requirements of IC 9-18-31-7 receive written direction from the school corporation attorney. Additionally, the board of school trustees should state the position of the school corporation in a public meeting with proper recording in the minutes of the board.

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**EDUCATIONAL LICENSE FEES**

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IC 9-18-31-7 states in part (b) "If a school corporation designated to receive a fee under section 5(c) of this chapter does not receive benefit from an educational foundation described under subsection (a), the fees designated to go to the school corporation shall be distributed to the school corporation and **may only be used for purposes other than salaries and related fringe benefits.**"

We are of the audit position these expenditures should generally only be for items designated in the Chart of Accounts for items other than salaries and fringe benefits. Pay raises for teachers should also not be paid from fees received under IC 9-18-31.

**OPTICAL IMAGES CHECKS**

IC 5-15-6-3(a) concerning optical imaging of checks states, in part: ". . . 'original records' includes the optical image of a check or deposit document when: (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states, in part: (a) "If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that: (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and (2) remains accessible for later reference."

(e) "If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)." Our Emphasis.

**ACCOUNTING FOR INVESTMENTS**

The system of accounting for the investment of public funds includes setting up a Ledger Form 508, in the Clearing Accounts section of the Fund Ledger and Ledger of Receipts, entitled "Clearing Account – Investments", Account Number 8500, for recording investments purchased from all school corporation funds. Head the receipts column "Purchase of Investments" and the disbursement column "Sale of Investments." Also set up a General Form 350, Register of Investments, for recording the investments made separately from each Fund.

As an example of recording an investment transaction, consider an investment made from the Capital Projects Fund. Disburse the cost (purchase price) of the investment from the Capital Projects Fund and from the Control of All Funds. Also record the purchase price in Expenditure Account 60300 (on Form 512) which you have set up following the Nonprogrammed Charges Control (Account 60300) of the Capital Projects Fund in the Ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances. Receipt the purchase price to Clearing Account 8510 and increase the balance accordingly. On the Register of Investments, General Form 350, identified with the Capital Projects Fund, record the purchase price (cost).

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**ACCOUNTING FOR INVESTMENTS**

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If interest is received while the security is held by the school corporation, record the amount received on General Form 350 on the same line as that on which the investment is recorded; also receipt the interest received to Receipt Account 1510 following the Capital Projects Fund. In addition, receipt the interest to the Capital Projects Fund and carry it to the Control of All Funds.

When the investment is sold or it matures, receipt the sale price to the Capital Projects Fund and to the Control of All Funds. Also record in the receipt accounts following the Capital Projects Fund, the purchase price of the security in Account 7130 and any surplus to Account 1510, Interest on Investments. If sold at less than the purchase price, receipt the amount of the sale to account 6510 only, then disburse from the Clearing Accounts, Account 8520, the purchase price of the security and reduce the balance accordingly. Record the sale (purchase price) on the Register of Investments - Capital Projects Fund (General Form 350) on the same line as the purchase was recorded. Any amount received in excess of the purchase price will be recorded on Form 350 as interest received. Investments from other "Fund" accounts will be accounted for in the same manner as illustrated for the Capital Projects Fund.

If the governing body, by resolution, authorizes the corporation treasurer to invest from the depository balance instead of from a specific fund, the check issued for purchase of the investment will not be posted to any fund or to the control of all funds. The check will be entered only in the Treasurer's Daily Balance of Cash, Depositories and Investments Record, General Form 361 (Revised 1975), in which provision has been made to account for investments made from the depository balances as well as those from individual funds. An investment from the total moneys on deposit will also be entered in General Form 350 and a complete record maintained therein.

When an investment from the total moneys on deposit matures or is cashed, an Official Receipt, Form 517, shall be issued; however, only the interest received from such an investment will be posted to the Fund Ledger and Ledger of Receipts, with the principal being entered only in the Daily Balance Record, Form 361. Interest received from the investment of total moneys on deposit will be credited to the fund or funds designated by the school board.

If the foregoing procedure is observed, General Form 350 will show at all times the amount invested from each fund and from the total moneys on deposit. The Fund Ledger and the "Clearing Account – Investments", Account 8500, will account for investments made from a specific fund, while the Daily Balance Record, Form 361, will account for all investments, including those made from the fund account and those made from the total moneys on deposit. Form 361 should at all times agree with the transactions recorded in General Form 350.

Please review the Accounting Manual for Indiana Public School Corporations for additional information concerning investments.

**SCHOOLHOUSE HOLDING CORPORATIONS**

Many schoolhouse holding corporations have received or may be nearing the point of having received sufficient funds to redeem all outstanding bonds and pay all interest coupons. In some instances, funds have been invested by holding corporations and the earnings on these investments have served to reduce the number of lease rental payments necessary from the school corporation to meet the needs of the holding corporation. The school corporation must rely on fiscal officers to maintain a close

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**SCHOOLHOUSE HOLDING CORPORATIONS**

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business relationship with the holding corporation treasurer or fiscal trustee to ascertain that the school corporation is receiving credit for earnings on the investment of excess funds on deposit in the holding corporation treasury. Credit to the school corporation may be effected by an eventual reduction in the total amount of lease rental needed to be collected from the school corporation for retirement of the debt of the holding corporation.

Many trust agreements provide for annual reports to be made by each holding corporation to the purchasers of bonds and, in some instances, provide for audited reports to be furnished. We would suggest that copies of such reports be obtained from the holding corporation, if possible. Field Examiners of the State Board of Accounts will assist school corporation fiscal officers as much as possible.

IC 20-47-2-23 states "(a) Upon the termination of a lease entered into under this chapter, the lessor corporation shall return to the school corporation any money held by the lessor corporation in excess of the amount needed to retire bonds issued under this chapter and to dissolve the lessor corporation. (b) A school corporation shall deposit the money received under subsection (a) into its debt service fund or capital projects fund."

IC 20-47-3-18 has similar provisions.

**FEDERAL ASSISTANCE - DATA COLLECTION FORM**

The Bureau of Census began sending in 1997 to units of government receiving federal funds Form SFSAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

Please keep the form on file and as our Field Examiners audit they will be requesting the forms.

School corporations, as our auditee, will be required to complete a portion of the form and the State Board of Accounts, as auditor, will be required to fill out the rest of the form.

Do not mail the form to the Single Audit Clearinghouse in Jeffersonville. Field Examiners will provide any assistance and guidance needed in completing the form, at the time of audit. The completion of the form only needs to be done in conjunction with the State Board of Accounts' audit and the work we do with the completion of the form is part of our service. The school corporation's participation in completion of the form in most situations should not be difficult, which hopefully will negate the need for any additional costs to the taxpayers.

**RATES FOR LEGAL ADVERTISING**

The rates for legal advertising did not change for calendar year 2008. We do not currently note authorized changes in legal rates after December 31, 2005. Therefore, publishers of qualified publications should charge in accordance with the 2005 rates shown Volume 168, of the School Administrator.